

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2526-01
BILL NO.: SB 531
SUBJECT: Charities; Education, Elementary and Secondary; Revenue Dept.; Taxation and Revenue-General-Income
TYPE: Original
DATE: January 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$27,391) to (\$5,027,391)	\$0 to (\$5,000,000)
County Foreign Insurance	\$0	\$0 to (\$2,500,000)	\$0 to (\$2,500,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$27,391) to (\$5,027,391)	\$0 to (\$5,000,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0 to (\$2,500,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Elementary and Secondary Education (DES)** state this proposal would not fiscally impact their agency.

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a tax credit equal to 50% of contributions made to a scholarship charity, as long as the donation is not for the direct benefit of a dependent of the taxpayer. The tax credit is non-refundable, but can be carried forward to the next four succeeding tax years. The tax credit must be at least \$100, and cannot exceed \$50,000 per taxable year. A scholarship charity must be exempt from federal taxation and allocate at least 90% of its annual revenue for educational scholarships. The director of revenue is to determine annually which charities in this state may be qualified as scholarship charities. The cumulative amount of tax credits which may be claimed cannot exceed five million dollars.

ADMINISTRATIVE IMPACT:

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation would need one Tax Processing Technician I for every 1,680 new credits claimed per year and one Tax Season Temporary for every 260,000 credits claimed per year. Also, one Tax Processing Technician I would be needed for six months for every 30,000 additional individual income tax errors and one Tax Processing Technician I for every 12,000 additional corporate tax errors generated from this legislation.

This legislation would require modifications to the income tax system and credit application system. The Division of Taxation estimates these modifications, including programming changes, would require 1,384 hours of overtime at a cost of \$41,617. Modifications to the income tax return and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$1,867 would be needed for on-going costs.

Based on a previous response to a similar proposal **Oversight** has allowed the Department of Revenue \$27,391 for reprogramming expenses, State Data Center charges and implementation costs. Oversight assumes the Department of Revenue could handle the provisions of this proposal with existing resources or request additional staff through the budget process.

Officials of the **Department of Insurance (INS)** state that Missouri has approximately 300 domiciled companies and approximately 1800 companies licensed to do business in the state. It is assumed that only domiciled companies would contribute to authorized scholarship charities

ASSUMPTION (continued)

therefore, a range \$0-\$5,000,000 is being submitted for potential decreased premium tax collected as a result of proposed legislation. Premium tax is split 50/50 between GR and County Foreign Insurance Funds.

This proposal could result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Income tax credits for charitable scholarships	\$0	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)
<u>Cost to General Revenue Fund</u>			
<u>Department of Revenue</u>			
Reprogramming costs	\$0	(\$27,391)	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$27,391) to (\$5,027,391)</u>	<u>\$0 to (\$5,000,000)</u>
COUNTY FOREIGN INSURANCE FUND			
<u>Loss to County Foreign Insurance Fund</u>			
Income tax credits for charitable Scholarships	\$0	\$0 to (\$2,500,000)	\$0 to (\$2,500,000)
<u>FISCAL IMPACT - Local Government</u>			
FY 2001 FY 2002 FY 2003 (10 Mo.)			
<u>Loss to local school districts</u>			
Income tax credits for charitable Scholarships	\$0	\$0	\$0 to (\$2,500,000)

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FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent they would incur cost for making the voluntary cash contributions and receive benefit from the tax credit for making the contribution.

DESCRIPTION

This act authorizes a state tax credit for contributions to authorized scholarship charities. To qualify as a scholarship charity, the organization must be a 501(c)(3) charitable organization and must allocate at least ninety percent of its annual revenue for educational scholarships to children attending qualified schools.

The credit may be claimed, for all taxable years beginning on or after January 1, 2001, in an amount equal to 50% of the taxpayer's contribution to the scholarship charity, but cannot exceed fifty thousand dollars per taxable year for any taxpayer.

The credit is not refundable but may be carried over for up to four succeeding taxable years. The cumulative amount of all scholarship charity tax credits is limited to five million dollars per fiscal year. The director of revenue is authorized to allocate the tax credits as necessary to ensure their maximum use.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Insurance
Department of Elementary and Secondary Education



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Director
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